

KANNALAND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 83, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

K R De Lange
Municipal Manager

Date

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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

A Baartman	Mayor
Councillor P van Rensburg	Deputy Mayor
Councillor N Adams	Speaker
Councillor J Donson	
Councillor J Reinecke	
Councillor PJ Rooi	
Councillor N Valentyn	
Councillor A Willemse	

MEMBERS OF THE AUDIT COMMITTEE

Councillor P van Rensburg (Speaker)
Councillor PJ Rooi
AAA King
K Stoffels
P Kannemeyer

Grading of Local Government

Grade 5

AUDITORS

Auditor General

BANKERS:

ABSA Bank
First Nasionale Bank

REGISTERED OFFICE

32 Kerkstraat	PO Box 30
Ladismith, 6655	Ladismith, 6655
Telephone	(028) 551-1023
Facsimile:	(028) 551-1766

MUNICIPAL MANAGER

CHIEF FINANCIAL OFFICER

**KANNALAND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008**

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It is my privilege to present the financial reports of Kannaland Municipality for the fiscal year 2007/08.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

This is the first set of Financial Statements presented in terms of the latest variant of Generally Recognised Accounting Practices (GRAP) as promulgated by National Treasury .

This in turn makes year-on-year financial comparisons problematic because the 2005/06 adjustments have not been compared with prior years and, apart from an accounting and theoretical exercise, it would be futile, to compare them with the 2005/06 figures presented under IMFO standards.

2. KEY FINANCIAL INDICATORS

The percentages of expenditure categories are general within acceptable local government norms.

Financial Statement Ratios:

INDICATOR	2008	2007
Surplus / (Deficit) before Appropriations	(410 510)	(15 199 613)
Accumulated Surplus / (Deficit) at the end of the Year	(3 098 312)	(2 667 387)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	25.32%	20.38%
Remuneration of Councillors	3.62%	2.73%
Bad Debts (Ratio based on budget amount due to abnormal provision)	5.46%	5.02%
Depreciation	5.87%	5.09%
Repairs and Maintenance	4.86%	3.15%
Interest Paid	4.85%	4.26%
Bulk Purchases	19.43%	16.59%
Grants and Subsidies Paid	16.50%	34.68%
General Expenses	11.70%	7.99%
Provision	2.40%	0.38%
Current Ratio:		
Creditors Days	33	21
Debtors Days	325	367

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operating results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2008 are as follows:

DETAILS	Actual 2007/2008	Actual 2006/2007	Percentage Variance	Budgeted 2007/2008	Variance actual/ budgeted
---------	---------------------	---------------------	------------------------	-----------------------	------------------------------

	R	R	%	R	%
Income:					
Opening surplus / (deficit)	(2 667 387)	10 746 111	-124.82%	(2 667 387)	-
Operating income	50 894 943	52 565 071	-3.18%	52 609 200	-3.26%
Appropriations	(20 415)	1 039 123	-101.96%	-	-
	48 207 141	64 350 304	-25.09%	49 941 813	-3.47%
Expenditure:					
Operating expenditure	51 305 453	52 536 862	-2.34%	52 933 700	-3.08%
Abnormal bad debt expenditure	-	15 227 822	100.00%	-	-
Sundry transfers	-	(746 993)	0.00%	-	-
Closing surplus / (deficit)	(3 098 312)	(2 667 387)	16.16%	-	-
	48 207 141	64 350 304	-25.09%	52 933 700	-8.93%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R36 443 204 (2006/2007: R 5 257 045), and in percentage terms amounts to 75.69 % of budget. Full details of Property, Plant and Equipment are disclosed in note number 11 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R 36 443 204 was financed as follows:

DETAILS	Actual 2007/2008 R	Budgeted 2007/2008 R	Percentage Variance %	Source of funding as % of total Cap exp
Capitalisation Reserve	-	-	0.00%	0.00%
Grants and Subsidies	36 443 204	20 516 000	77.63%	100.00%
	36 443 204	20 516 000	77.63%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2008	2007
<i>Variance per Category:</i>		
Revenue variances	(1 714 256)	296 327
Expenditure variances:		
Employee Related Costs	774 138	1 009 854
Remuneration of Councillors	133 223	491 286
Bad Debts	(520 050)	(15 227 822)
Collection Costs	5 000	-

Depreciation	440 699	(1 679 303)
Impairment losses	-	-
Repairs and Maintenance	67 375	122 518
Interest Paid	(1 430 695)	(1 056 842)
Bulk Purchases	(796 781)	(713 711)
Contracted Services	(166 670)	277 216
Grants and Subsidies Paid	1 779 682	1 604 940
General Expenses	2 574 327	(133 820)
Provisions	(1 232 000)	(200 000)
Budgeted Expenditure on non-GRAP compliant items	-	-
Actual surplus before appropriations	(86 008)	(15 209 357)

DETAILS	2008	2007
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	324 502	(159 588)
Executive and Council	(2 304 939)	(17 652 456)
Sport and Recreation	(260 523)	(142 795)
Housing	(637 434)	(74 653)
Financial Services	3 009 353	2 124 652
Community Services	(283 234)	(433 122)
Waste Management	480 510	3 173 275
Roads and Transport	(1 815 095)	(2 929 481)
Water	163 954	1 090 978
Electricity	1 236 899	(206 171)
Other	-	-
Actual surplus before appropriations	(86 007)	(15 209 361)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

	Actual 2007/2008 R	Budgeted 2007/2008 R	Variance actual/ budgeted R
Executive and Council	-	-	-
Finance and Administration	-	-	-
Planning and Development	-	-	-
Health	-	-	-
Community and Social Services	246 931	-	(246 931)
Housing	8 690 730	1 554 000	(7 136 730)
Public Safety	-	-	-
Sport and Recreation	308 526	-	(308 526)
Environmental Protection	-	-	-
Waste Management	23 667 281	12 862 000	(10 805 281)
Roads and Transport	703 281	600 000	(103 281)
Water	161 404	5 000 000	4 838 596
Electricity	2 665 051	500 000	(2 165 051)
Other	-	-	-
	36 443 204	20 516 000	(15 927 204)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of variances of more than 5% from budget, are included in Appendix "E (2)".

6. LONG-TERM LIABILITIES

The outstanding amount of long-term liabilities as at 30 June 2007 was R (30 June 2007: R 17 744 487).

No new loans were taken up but interest of R 2 016 584 was capitalised on a DBSA loan where no payments were made in the previous years.

Refer to Note 2 and Appendix "A" for more detail.

7. NON-CURRENT PROVISIONS

Non-current provisions amounted to R765 500. as at 30 June 2007 (30 June 2006: R 200 000) and are made up as follows:

Provision for Post Retirement Benefits	-
Provision for Ex-Gratia Pension Benefits	-
Provision for Illegal Dumping	665 500
Provision for Rehabilitation of Land-fill Sites	100 000
	<u>765 500</u>

These provisions are made in order to enable the municipality to fulfil its known legal obligations when they become due and payable.

Refer to Note 3 for more detail.

8. CURRENT LIABILITIES

Current liabilities amounted to R 1 as at 30 June 2008 (30 June 2007: R 19 239 670) and are made up as follows:

Consumer Deposits	Note 6	453 746
Provisions	Note 7	666 500
Creditors	Note 8	4 623 016
Unspent Public Contributions	Note 9	12 059 628
VAT	Note 10	152 271
Short-term loans	Note 11	-
Bank overdraft	Note 19	-
Current portion of Deferred income	Note 3	1 638 230
Current portion of long-term liabilities	Note 4	741 793
		<u>20 335 185</u>

Current liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R 57 715 706 as at 30 June 2008 (30 June 2007: R 35 329 736).

Refer to Note 10 and Appendices "B, C and E (2)" for more detail.

10. INVESTMENTS

The municipality held investments to the value of R as at 30 June 2008 (30 June 2007: R 1 873 047).

R of these investments are ring-fenced for purposes of the security for and repayment of long-term liabilities.

Refer to Notes 12 and 18 for more detail.

11. LONG-TERM RECEIVABLES

Long-term receivables of R 2 at 30 June 2008 (30 June 2007: R 22 703) consist of a loan to the Ladismith Golf Club.

Refer to Note 13 for more detail.

12. CURRENT ASSETS

Current Assets amounted to R 1 as at 30 June 2008 (30 June 2007: R 13 988 422) and are made up as follows:

Inventory	Note 19	349 844
Consumer Debtors	Note 24	3 583 487
Other Debtors	Note 25	751 074
Current Portion of Long-term Receivables	Note 18	2 786
Short-term Investment Deposits	Note 27	-
VAT	Note 26	1 519 098
Bank Balances and Cash	Note 48	10 154 979
		<u>16 361 268</u>

Refer to the indicated Notes for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and the provision of infrastructure for all its citizens, for which grants received from government and other organisations, are entrusted to the stewardship of the municipality.

Refer to Notes 9 and 33 for more detail.

14. EVENTS AFTER THE REPORTING DATE

No known events after the reporting date are of any importance.

15. DISCLOSURE ISSUES

Refer to notes 35 and 39.

16. EXPRESSION OF APPRECIATION

Herewith my appreciation to the Executive Mayor, Executive Deputy Mayor, Members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for their support extended during the financial year.

The impact of GRAP will not be limited to the Finance Department but will affect the business management of this Council and its departments, placing far greater responsibility for corporate planning, reporting and financial administration where it will have the greatest effect. This requires additional skills to be established in departments and will require additional staff to be employed with concomitant costs.

As stated previously these are the first financial reports under the new GRAP standards. The work involved has been highly complex and technical and therefore my thanks to all those who have contributed their hard work and dedication to enable this report to be tabled.

CHIEF FINANCIAL OFFICER
31 October 2008

KANNALAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		(3 098 312)	(2 667 387)
Accumulated Surplus/(Deficit)		(3 858 739)	(3 427 814)
Housing Development Fund	2	760 427	760 427
Non-current liabilities		70 035 145	32 731 185
Deferred revenue	3	51 060 574	16 255 600
Long-term liabilities	4	18 209 071	16 275 585
Other non-current provisions	5	765 500	200 000
Current liabilities		20 335 184	18 522 579
Consumer deposits	6.	453 746	435 917
Provisions	7.	666 500	-
Creditors	8.	4 623 016	3 997 594
Unspent conditional grants and receipts	9.	12 059 628	11 028 651
SARS Liabilities	10.	152 271	145 796
Current portion of deferred income	3	1 638 230	1 445 720
Current portion of long-term liabilities	4	741 793	1 468 902
Total Net Assets and Liabilities		87 272 017	48 586 377
ASSETS			
Non-current assets		70 910 749	37 225 484
Property, plant and equipment	11	68 761 638	35 329 734
Investments	12	2 129 194	1 873 047
Long-term receivables	13	19 917	22 703
Current assets		16 361 268	11 360 893
Inventory	14.	349 844	379 181
Consumer debtors	15	3 583 487	1 989 979
Other debtors	16	751 074	1 690 568
SARS Receivables	17.	1 519 098	317 273
Current portion of long-term receivables	13	2 786	2 575
Bank balances and cash	37.	10 154 979	6 981 317
Total Assets		87 272 017	48 586 377

KANNALAND MUNICIPALITY**STATEMENT OF FINANCIAL PERFORMANCE**
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Property rates	20	6 542 647	5 711 784
Interest earned Property rates		-	26 722
Service charges	22.	23 324 107	20 749 513
Rental of facilities and equipment	23.	191 994	142 315
Interest earned - external investments	21	1 434 906	1 096 026
Interest earned - outstanding debtors	21	744 281	490 225
Dividends received		224	-
Fines		641 424	78 819
Licences and permits		80 593	59 673
Income for agency services		290 304	286 026
Government grants and subsidies	24	16 142 001	19 752 527
Other Grants		-	-
Other income	25.	1 502 463	389 454
Gains on disposal of property, plant and equipment		-	-
Total Revenue		50 894 943	48 783 084
EXPENDITURE			
Employee related costs	26.	12 989 932	10 677 721
Remuneration of Councillors	27	1 855 577	1 430 283
Impairment loss / Bad Debts	28.	2 800 000	17 859 596
Depreciation and Amortisation	29.	3 011 301	2 665 144
Repairs and maintenance		2 491 825	1 648 882
Interest paid	30.	2 489 795	2 233 668
Bulk purchases	31.	9 966 781	8 693 456
Contracted services		366 670	67 584
Grants and subsidies paid	32.	8 464 318	12 913 015
General expenses	33	5 637 253	4 118 290
Provision for Landfill site	5	1 232 000	200 000
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		51 305 453	62 507 639
SURPLUS/(DEFICIT) FOR THE YEAR		(410 510)	(13 724 555)
SURPLUS FOR THE YEAR		(410 510)	(13 724 555)
Refer to Appendix E (1) for explanation of variances			

KANNALAND MUNICIPALITY**STATEMENT OF CHANGES IN NET ASSETS**
FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
2007			
Balance at 1 July 2006	760 427	10 296 741	11 057 168
Movements during year	-	(13 724 555)	(13 724 555)
Restated balance	760 427	(3 427 814)	(2 667 387)
Restated Surplus/(deficit) for the year			-
Balance at 30 June 2007	760 427	(3 427 814)	(2 667 387)
2008			
Surplus/(deficit) for the year	-	(410 510)	(410 510)
Movements during year	-	(20 415)	(20 415)
Balance at 30 June 2008	760 427	(3 858 739)	(3 098 312)

Detail on the movement of funds and reserves is set out in note 2.

KANNALAND MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		84 089 978	59 165 962
Cash paid to suppliers and employees		(42 989 596)	(52 810 271)
Cash generated from/(utilised in) operations	36	41 100 382	6 355 691
Dividends received		224	
Interest received		2 179 187	1 586 251
Interest paid		(2 489 795)	(2 233 668)
Increase/(decrease) in consumer deposits		17 829	68 900
NET CASH FROM OPERATING ACTIVITIES		40 807 827	5 777 174
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(36 443 203)	(5 257 045)
(Increase)/decrease in non-current investments		(256 147)	(224 755)
NET CASH FROM INVESTING ACTIVITIES		(36 699 350)	(5 481 800)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(934 815)	(1 001 768)
NET CASH FROM FINANCING ACTIVITIES		(934 815)	(1 001 768)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3 173 662	(706 394)
		3 173 662	(706 394)
Cash and cash equivalents at the beginning of the year		6 981 317	7 687 711
Cash and cash equivalents at the end of the year	37	10 154 979	6 981 317

***KANNALAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008***

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- ◆ General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- ◆ General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in Appendix G to the Annual Financial Statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
GAMAP 09	Revenue	<ul style="list-style-type: none"> Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)
IAS 11 (AC 109)	Construction contracts	<ul style="list-style-type: none"> Entire standard
IAS 20 (AC 134)	Accounting for government grants and disclosure	<ul style="list-style-type: none"> Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IFRS 3 (AC 140)	Business combinations	<ul style="list-style-type: none"> Entire standard

Accounting Policies have been consistently applied, except for the following:

The municipality made certain retrospective changes to its application of one accounting standard. The change was:

- The municipality has adopted IAS 20. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the municipality previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. An amount of R51,060 million (2007: R16,255 million) has been reclassified from reserves to non-current liabilities. Further details are given in Notes 34

The following are the critical judgements that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- Revenue Recognition**

Accounting Policy clause 13 on *Revenue* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: *Revenue* and, in particular, whether the

municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Impairment of Financial assets**

Accounting policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments – Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in Notes 15 and 16 to the Annual financial Statements.

- **Operating Lease Commitments – as Lessor**

The municipality has entered into commercial property leases on its Property, Plant and Equipment portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

The Annual Financial Statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise.

2. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand.

3. GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Measurement

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment, or at fair value where assets have been acquired by grant or donation.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Land and buildings are not revalued.

6.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is brought into use, unless stated otherwise.

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7

Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
Landfill Sites	30	Bins and Containers	5
		Specialised Plant and	
Community		Equipment	10-15
Improvements	30	Other Plant and Equipment	2-5
Recreational Facilities	20-30		
Security	5		

The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 522 of 2007.

6.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

6.2.2 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

6.2.3 Finance Leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

6.2.4 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6.3 Disposal of property, plant and equipment

- ◆ The book values of assets are written off on disposal.
- ◆ The difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

6.4 Impairment

For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 522 of 2007.

6.5 Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions – see Accounting Policy clause 15 on Provisions. Rehabilitation costs capitalised to the cost of the landfill site, are written off on a straight-line basis over the estimated useful lives of the site.

7. INTANGIBLE ASSETS

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. Servitudes are therefore not amortised or impaired.

Intangible assets are annually tested for impairment.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

However for the current and the prior financial year, the municipality did not capitalise Intangible Assets other than website costs and software as is required by IAS38/AC129 as these requirements have been exempted in terms of General notice 522 of 2007.

8. INVESTMENT PROPERTY

Land and/or buildings that meet the “*Investment Property*” definition have in the current and prior years been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 522 of 2007.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

9.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Investments in Fixed Deposits (Banking Institutions, etc)
- ◆ Long-term Receivables
- ◆ Consumer Debtors
- ◆ Other Debtors
- ◆ Short-term Investment Deposits
- ◆ Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Short-term Investment Deposits – Notice	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ◆ they are classified as held for trading; or
- ◆ upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- ◆ Loans and Receivables;
- ◆ Held-to-Maturity Investments; or
- ◆ Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are financial assets that are created by providing money, goods or services directly to a debtor.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Long-term Liabilities
- ◆ Creditors
- ◆ Unspent Conditional Grants and Receipts
- ◆ Bank Overdraft
- ◆ Short-term loans
- ◆ Current Portion of Long-term Liabilities
- ◆ Consumer Deposits
- ◆ VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Amortised cost

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors and Other Payables are stated at their nominal value.

9.3 Measurement

Financial Instruments in the current and prior years are recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 522 of 2007.

9.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as payable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

10. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral is specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining contractual maturities is disclosed in Appendix A to the annual financial statements.

The entire IFRS 7 / IAS 144 have been exempted in terms of General notice 522 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32/ (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ (AC 125) is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end. Water not purchased by the municipality is not valued as this requirement of GAMAP 12 has been exempted in terms of General Notice 522 of 2007.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction.

12. ASSETS HELD-FOR-SALE

The requirements of IFRS 5: Non-Current Assets Held for Sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42) on the classification, measurement and disclosure of non-current assets held for sale have been exempted in terms of General Notice 522 of 2007. Therefore assets held for sale has not been identified in the current and previous financial years under review. Such assets are therefore included in PPE.

13. REVENUE RECOGNITION

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

13.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

13.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale, when the sale is affected.

13.3 Interest earned and Rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

13.4 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

13.5 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

13.6 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

13.7 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.8 Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

13.9 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13.10 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

13.11 Fines

Revenue from the issuing of summonses is only recognised when collected by the courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue when the summons is issued.

13.12 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the municipality.

13.13 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

14. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14.1 Grants and Receipts of a Revenue Nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

14.2 Grants and Receipts of a Capital Nature

Income from Government Grants whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset.

15. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

16. EMPLOYEE BENEFITS

16.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

16.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

16.3 Defined Benefit Plans

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. In terms of exemptions granted in terms of General notice 522 of 2007, the Municipality accounted for all its defined benefit plans as defined contribution plans for the current and prior financial years.

16.4 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to **Note 46** of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

17. LEASES

17.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals for the current and previous financial years were expensed as they become due. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating lease payments should be recognised on a straight line basis has been exempted in terms of General Notice 522 of 2007.

17.2 The Municipality as Lessor

Rental income from operating leases for the current and previous financial years were recognised when it were received. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating leases receipts should be recognised on a straight line basis has been exempted in terms of General Notice 522 of 2007.

18 BORROWINGS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

19. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ expect to be repaid in future; or
- ◆ expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

20. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

21. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where

recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have not in all cases been applied retrospectively as is required by GRAP 3 as this requirement has been exempted in terms of General Notice 522 of 2007.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 35 to the Annual Financial Statements for details of corrections of errors recorded during the period under review,

27. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

28. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

29. COMPARATIVE INFORMATION

29.1 Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current and prior financial years.

29.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1 GENERAL INFORMATION

Kannaland municipality is a local government institution in the Western Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2 Housing Development Fund

2008
R

2007
R

The Housing Development Fund contain all proceeds from housing developments, which include rental income and sales of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Housing Development Fund	760 427	760 427
Unappropriated Surplus	-	-
Loans extinguished by Government on 1 April 1998	760 427	760 427
The Housing Development Fund is represented by the following assets and liabilities		
Housing Rental Debtors (see note 15)	412 916	369 581
Bank and cash	347 511	390 846
Total Housing Development Fund Assets and Liabilities	760 427	760 427

3 DEFERRED REVENUE
30 June 2008

Balance at beginning of year	17 701 320
Additions during year	36 443 204
Sub-total	54 144 524
Less : Transfer to Income	1 445 720
Balance at end of year	52 698 804
Less : Current portion transferred to current liabilities	1 638 230
Total Deferred Revenue	51 060 574

	R
30 June 2007	
Balance at beginning of year	13 919 334
Additions during year	5 257 045
Income recognised during year	19 176 379
Sub-total	1 475 059
Less : Transfer to Income	17 701 320
Balance at end of year	1 445 720
Less: Current portion transferred to current liabilities	1 445 720
Total Deferred Revenue	16 255 600

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4 LONG- TERM LIABILITIES

Annuity Loans
Capitalised Lease Liability
Sub-total

Less : Current portion transferred to current liabilities

Annuity Loans
Capitalised Lease Liability

Total External Loans

4.1 Summary of arrangements

Annuity Loans are repaid over periods varying from one to fifteen years (2007: eleven to twenty one years) and at interest rates varying from 11.55 % to 12.5% (2007: 11.50 % to 18 %) per annum. Annuity Loans are not secured.

Fixed Deposit of R 2 129 194 (2007: R 1 873 047) has been pledged to DBSA as guarantees on external loan taken up. (See notes 12)

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

4.2 Breach of loan agreement

The municipality has contravened section 138(A) of the MFMA as instalment payments on DBSA has not been paid for 10 months. The loan has now been rescheduled to be redeemed in 15 years at 12.50 % fixed interest with the first instalment to be paid on 31 May 2008.

The municipality entered into an agreement with DBSA that if the municipality would be able to service its loans timeously during the next three financial years, then a loan of R6,952,457 will be written off by the bank.

5 OTHER NON- CURRENT PROVISIONS

5.1 Rehabilitation of Landfill sites

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.332 million to restore the site at the end of its useful life.

The movement in the non-current provisions are reconciled as follows:-

	R	R	R
	Illegal Dumping	Landfill sites	Total
30 June 2008			
Balance at beginning of year	100 000	100 000	200 000
Contributions to provision		1 232 000	1 232 000
Sub Total	100 000	1 332 000	1 432 000
Transfer to current (See note 7)	-	(666 500)	(666 500)
Reversal of provision	-	-	-
Reduction due to re-measurement	-	-	-
Balance at end of year	100 000	665 500	765 500
30 June 2007			
Balance at beginning of year	-	-	-
Transfer to current	-	-	-
Contributions to provision	100 000	100 000	200 000
Expenditure incurred	-	-	-
Reduction due to re-measurement	-	-	-
Balance at end of year	100 000	100 000	200 000

The provision for the landfill site will be established over a two year period.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

6. CONSUMER DEPOSITS

Electricity and Water
Interest paid

2008	2007
R	R
453 746	435 917
-	-

Total Consumer Deposits

453 746	435 917
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Guarantees held in lieu of Electricity and Water Deposits

-	-
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Consumer deposits is paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits were determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7. PROVISIONS

The movement in current provisions are reconciled as follows:

	2008	2007
	R	R
	Landfill sites	Landfill sites
30 June 2008 and 2007		
Balance at beginning of year	-	-
Transfer from non-current	(666 500)	-
Contributions to provision	-	-
Expenditure incurred	-	-
Reversal of provision	-	-
Reduction due to re-measurement	-	-
Balance at end of year	(666 500)	-

8. CREDITORS

Trade creditors
Payments received in advance
Staff leave
Other creditors
Total Creditors

1 159 401	397 076
438 158	396 356
855 739	655 956
2 169 718	2 548 206
4 623 016	3 997 594

Total trade payables at 30 June 2008 amounted to R1 159 400 (2007: R397 076), comprising the amount stated above.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants by other spheres of Government

Recovery plan MSP
Recovery plan DPLG
Recovery plan DBSA
Electricity / Water meters
Zoar Water project
Calitzdorp Housing
Clearing projects
Zoar Library
Dried Fruit Van Wyksdorp
Licensing
Taxi rank
Greening Ladismith
Greening Zoar
Valuation
Water Meters Zoar
132KVA Sub Station
Management Support
Office equipment
GOR General expenses
CMIP General expenses
Social plan
Housing LDS
Drought relief
MIG Buckets eradication
Hidrologiese
Swimmingpool Calitzdorp
Swimmingpool LDS
Flood Damage projects
Vwyksdorp Water research
Management Support
Umsobomvu
Financial Management grant
Eden Distict Municipality
Housing Education
Electrification upgrading LDS

2008	2007
R	R
12 059 628	11 028 651
1 245 064	132 329
364 447	1 607 245
547 070	-
371 669	371 669
-	55 764
61 033	61 033
-	5 929
-	181 316
75 782	134 909
-	928
412 730	620 871
629	47 102
72 293	72 293
1 426 039	1 631 674
468 931	424 464
2 497 414	2 497 414
-	67 859
-	34 237
-	34 815
-	63 475
-	63 983
66 112	194 814
201 982	199 882
2 460 405	770 733
-	7 675
-	85 389
-	203 829
103 460	800 000
31 465	31 465
-	392 310
3 984	90 281
620 703	-
259 158	-
17 426	-
751 834	-
-	-
12 059 628	11 028 651

Total Conditional Grants and Receipts

See Note 24 for reconciliation of grants by other spheres of government.

Refer to Appendix "F" for more detail on Conditional Grants.

10. SARS -Liability

PAYE

2008	2007
R	R
152 271	145 796

11. PROPERTY, PLANT AND EQUIPMENT

See separate note.

12. INVESTMENTS

Unlisted

Local Authority Stock

Total Cash Investments

Financial Instruments

Held to maturity investments

Total Cash Investments

Total Investments

-	-
-	-
2 129 194	1 873 047
2 129 194	1 873 047
2 129 194	1 873 047

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates at 13.2 % per annum.

The management of the municipality is of the opinion that the carrying value of Investments recorded amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreemer entered into between the municipality and financial institutions.

With reference to note 4 the investment was made to serve as security for a long term loan from DBSA.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

13 LONG-TERM RECEIVABLES

	2008 R	2007 R
Loans to Sport Clubs	22 703	25 278
	22 703	25 278
Less : Provision for Impairment		
Less : Current portion transferred to current receivables	2 786	2 575
Loans to Sport Clubs	2 786	2 575
	19 917	22 703

Total Long-term Receivables

Golf Club Loan

The loan to the Ladismith Golf Club will be redeemed over a periode of 20 years at a interest rate of 8 % and will be redeemed in December 2014

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Receivables were determined after considering the standard terms and condition of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

14. INVENTORY

Consumable stores - at cost	349 844	379 181
Unsold properties held for resale		
	349 844	379 181

Total Inventory

The cost of inventories recognised as an expense during the period, for both continuing and discontinuing operations was R1 247 500 (2007: Not available).
No reliable estimation of water stock at year end could be performed by management.

No NRV write-downs were recorded during the year under review.

15 CONSUMER DEBTORS

As at 30 June 2008

	Gross Balances	Provision for Impairment	Net Balances
Service debtors	26 213 046	22 688 065	3 524 981
Rates	7 876 989	6 628 477	1 248 512
Electricity	1 475 044	455 695	1 019 349
Water	1 382 043	405 846	976 197
Sewerage	8 738 270	8 523 483	214 787
Refuse Removal	6 740 700	6 674 564	66 136
Housing rentals	412 916	354 410	58 506
Total	26 625 962	23 042 475	3 583 487

As at 30 June 2007

Service debtors	26 220 993	24 246 184	1 974 809
Rates	6 543 646	6 128 477	415 169
Electricity	1 103 972	455 695	648 277
Water	4 594 069	4 263 966	330 103
Sewerage	7 978 827	7 673 483	305 344
Refuse Removal	6 000 480	5 724 563	275 917
Sundries	-	-	-
Housing rentals	369 581	354 410	15 171
Total	26 590 574	24 600 594	1 989 980

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balances of rates. The municipality enforces its approved credit control policy to ensure the recovery of the consumer debtors. There is an inherent risk in the debtor's book to the value of unverified data.

Debtors to the amount of R 4 895 421 was written-off during the 2007 / 2008 financial year.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

15 CONSUMER DEBTORS (Continued)

2008
R

2007
R

15.1 Ageing of Consumer Debtors

Rates: Ageing

Current (0 - 30 days)	388 703	279 004
31 - 60 Days	144 294	136 165
61 - 90 Days	117 203	120 174
91 - 120 Days	111 944	118 514
121 - 150 Days	7 114 845	5 889 789
Total	7 876 989	6 543 646

(Electricity, Water, Sewerage, Sundry and Refuse Removal): Ageing

Current (0 - 30 days)	1 445 805	1 137 812
31 - 60 Days	354 476	421 827
61 - 90 Days	267 751	364 108
91 - 120 Days	244 981	362 358
121 - 150 Days	16 023 044	17 391 242
Total	18 336 057	19 677 348

Housing rentals: Ageing

Current (0 - 30 days)	7 932	8 154
31 - 60 Days	7 235	7 016
61 - 90 Days	7 032	6 930
91 - 120 Days	6 675	6 847
121 - 150 Days	384 042	340 634
Total	412 916	369 581

15.2 Summary of Debtors by Customer Classification

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2008			
Current (0 - 30 days)	1 256 270	497 503	88 666
31 - 60 Days	462 306	25 596	18 103
61 - 90 Days	353 803	19 387	18 795
91 - 120 Days	339 602	12 065	11 934
121 - 150 Days	22 682 604	342 260	497 068
Sub-total	25 094 585	896 811	634 566
Less: Provision for Impairment	23 042 475	-	-
Total debtors by customer classification	2 052 110	896 811	634 566

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2007			
Current (0 - 30 days)	884 051	431 427	109 492
31 - 60 Days	480 126	41 616	43 266
61 - 90 Days	425 319	30 327	35 566
91 - 120 Days	427 144	29 439	31 136
121 - 150 Days	23 182 167	179 327	260 171
Sub-total	25 398 807	712 136	479 631
Less: Provision for Impairment	(24 034 630)	(239 093)	(326 873)
Total debtors by customer classification	1 364 177	473 043	152 758

15.3 Reconciliation of Provision for Impairment on Consumer debtors

Balance at beginning of year	24 600 596	8 013 243
Impairment Losses recognised	3 137 302	16 941 764
Amounts written off as uncollectable	(4 695 423)	(354 411)
Impairment Losses reversed	-	-
Amounts recovered	-	-
Balance at end of year	23 042 475	24 600 596

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16 OTHER DEBTORS	2008 R	2007 R
Sundry debtors	622 723	918 059
Suspense Debtors	708 882	1 690 341
Less : Provision for Impairment	(580 530)	(917 832)
Total Other Debtors	751 074	1 690 568
16.1 Reconciliation of Provision for Impairment on Other debtors		
Balance at beginning of the year	917 832	-
Contribution to	-	917 832
Impairment Losses reversed	(337 302)	-
Balance at end of year	580 530	917 832
<p>The average credit period for other debtors is 30 days. No interest is charged on other receivables for the first 3 days from the date of the invoice. The municipality enforces its approved credit control policy in an attempted to ensure the recovery of the other debtors.</p> <p>Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fa values.</p> <p>The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratio's of other debtors were also taken into account for fair value determination.</p> <p>The provision for impairment was calculated on each every debtors risk profile and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.</p>		
17. VAT		
VAT receivable	1 519 098	317 273
<p>VAT is payable on the cash basis. Only once payment has been received from debtors is VAT paid over to SARS.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.</p>		
18. CALL INVESTMENT DEPOSITS		
	-	-
19. BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Account Number 112 000 001 9 (ABSA)		
Bank statement balance at beginning of year	1 618 000	2 298 923
Bank statement balance at end of year	414 428	1 618 000
<u>Current Account</u>		
Account Number 621-6355-4580 (FNB)		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	1 552 853	-
<u>Current Account</u>		
Account Number 527 827 302 31 (FNB)		
Bank statement balance at beginning of year	118 301	105 969
Bank statement balance at end of year	458 612	118 301
<u>Call Account</u>		
Account Number 9117177062 (ABSA)		
Bank statement balance at beginning of year	6 784 600	6 803 803
Bank statement balance at end of year	9 581 430	6 784 600
<u>Summary</u>		
Cash book balance at beginning of year	6 979 967	917 559
Cash book balance at end of year	10 153 629	6 979 967
Bank statement balance at beginning of year	8 520 901	9 208 695
Bank statement balance at end of year	12 007 323	8 520 901

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cas recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
20 PROPERTY RATES		
<u>Actual</u>		
Residential	6 531 951	6 057 440
Commercial	1 113 199	1 038 797
State	745 936	693 811
Municipal	398 559	377 138
Less: Income foregone	(2 246 998)	(2 455 402)
Total Assessment Rates	6 542 647	5 711 784
<u>Valuations</u>		
	2008 R 000	2007 R 000
Residential	283 511	283 078
Commercial	48 316	48 474
State	32 376	32 375
Municipal	17 299	17 598
Total Assessment Rates	381 502	381 525
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. An Interim valuations was performed in the year under review on individual property values due to alterations and subdivisions. The result of the valuation will only come into effect in the new financial year. A general rate of R0.02304 (2007:0.02143) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property .</p> <p>Rates are levied on an annual basis with the final date of payment being 30 September of each year. Interest at 18% per annum is levied on outstanding rates as well as a 10% collection charge two months after final date of payment.</p> <p>Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the 7th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.</p>		
21. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	-	26 722
	-	26 722
External Investments:		
Bank Account	-	-
Investments	1 434 906	1 096 026
	1 434 906	1 096 026
Outstanding Debtors:		
Long-term Receivables	-	-
Other Consumer Debtors	744 281	490 225
Other Debtors	-	-
	744 281	490 225
Total Interest Earned	2 179 187	1 612 973
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	-	-
Loans and Receivables	2 179 187	1 586 251
Held-to-Maturity Investments	-	-
	2 179 187	1 586 251
Interest Earned on Non-financial Assets	-	26 722
	2 179 187	1 612 973
22. SERVICE CHARGES		
Sale of electricity	12 853 238	10 980 179
Sale of water	4 169 230	3 746 825
Refuse removal	2 943 580	2 746 270
Sewerage and sanitation charges	3 358 059	3 276 240
Total Service Charges	23 324 107	20 749 513
Attributable to:		
Continuing Operations	23 324 107	20 749 513
Discontinued Operations	-	-
	23 324 107	20 749 513

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. RENTAL OF FACILITIES AND EQUIPMENT

	2008 R	2007 R
Rental Revenue from Buildings	-	-
Rental Revenue from Halls	191 994	142 315
Rental Revenue from Other facilities	-	-
Total Rental of Facilities and Equipment	191 994	142 315
Attributable to:		
Continuing Operations	191 994	142 315
Discontinued Operations	-	-
	191 994	142 315

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

24. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	7 717 865	6 725 231
Provincial Health subsidies	-	-
National Recovery Plan	4 689 005	6 056 292
National projects	271 607	3 654 416
Provincial projects other	1 301 244	1 791 531
Other	716 560	50 000
Transferred from deferred revenue	1 445 720	1 475 057
Total Government Grant and Subsidies	16 142 001	19 752 527
Attributable to:		
Continuing Operations	16 142 001	19 752 527
Discontinued Operations	-	-
	16 142 001	19 752 527

24.1 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	7 717 865	6 725 231
Conditions met - transferred to revenue	(7 717 865)	(6 725 231)
Conditions still to be met - transferred to liabilities (see note 9)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

24.2 National: Finance Management Grant (FMG)

Balance unspent at beginning of year	460 169	367 578
Correction of opening balance	-	-
Current year receipts	500 000	500 000
Adjustments	(67 859)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(271 607)	(407 409)
Conditions still to be met - transferred to liabilities (see note 9)	620 703	460 169

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

24.3 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	770 733	1 100 000
Current year receipts	24 753 129	2 917 740
Capital spending - transferred to deferred income	(23 013 457)	-
Conditions met - transferred to revenue	(50 000)	(3 247 007)
Conditions still to be met - transferred to liabilities (see note 9)	2 460 405	770 733

The grant was used to construct roads and sewerage infrastructure (included sewerage votes in Appendix B). No funds have been withheld.

24.4 National: General Expenditure (CMIP)

Balance unspent at beginning of year	63 475	63 475
Current year receipts	-	-
Transfer to other funds	(63 475)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	63 475

24.5 National: Recovery Plan - DBSA

Balance unspent at beginning of year	(918 059)	55 792
Current year receipts	3 043 304	1 304 867
Capital spending - transferred to deferred income	-	-
Adjustments	-	-
Conditions met - transferred to revenue	(1 578 175)	(2 278 718)
Conditions still to be met - transferred to liabilities (see note 9)	547 070	-
Conditions	-	(918 059)

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24.6 National: Recovery Plan -MSP

Balance unspent at beginning of year	132 330	(386 263)
Current year receipts	2 000 000	1 378 383
Capital spending - transferred to deferred income	-	-
Adjustments	(180 860)	-
Conditions met - transferred to revenue	(706 406)	(859 790)
Conditions still to be met - transferred to liabilities (see note 9)	1 245 064	132 330
Conditions	-	-

24.7 National: Recovery Plan -DPLG

Balance unspent at beginning of year	1 607 245	1 641 029
Current year receipts	2 884 000	2 884 000
Capital spending - transferred to deferred income	(1 836 925)	-
Adjustment	114 551	-
Conditions met - transferred to revenue	(2 404 423)	(2 917 784)
Conditions still to be met - transferred to liabilities (see note 9)	364 447	1 607 245

24.8 Provincial: Electricity / Water Meters

Balance unspent at beginning of year	371 669	371 669
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	371 669	371 669

24.9 Provincial : Zoar Water Project

Balance unspent at beginning of year	55 764	55 764
Current year receipts	-	-
Transfer to other funds	(55 764)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	55 764

24.10 Provincial : Calitzdorp Housing

Balance unspent at beginning of year	61 033	61 033
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	61 033	61 033

24.11 Provincial: Clearing Projects

Balance unspent at beginning of year	5 929	5 929
Current year receipts	-	-
Transfer to other funds	(5 929)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	5 929

24.12 Provincial : Zoar Library

Balance unspent at beginning of year	181 316	181 316
Current year receipts	-	-
Capital spending - transferred to deferred income	(162 819)	-
Transfer from other funds	4 298	-
Conditions met - transferred to revenue	(22 795)	-
Conditions still to be met - transferred to liabilities (see note 9)	0	181 316

24.13 Provincial : Dried Fruit Van Wyksdorp

Balance unspent at beginning of year	134 909	181 871
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(59 127)	(46 962)
Conditions still to be met - transferred to liabilities (see note 9)	75 782	134 909

24.14 Provincial: Licensing

Balance unspent at beginning of year	927	764
Current year receipts	-	163
Transfer to other funds	(927)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	927

24.15 Provincial : General Greening

Balance unspent at beginning of year	142 964	142 964
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer from other funds	7 644	-
Conditions met - transferred to revenue	(150 608)	-
Conditions still to be met - transferred to liabilities (see note 9)	(0)	142 964

24.16 Provincial : Greening Ladismith

Balance unspent at beginning of year	47 102	47 102
Current year receipts	-	-
Transfer to other funds	(46 473)	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	629	47 102

24.17 Provincial: Greening Zoar

Balance unspent at beginning of year	72 293	72 293
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	72 293	72 293

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24.18 Provincial : Valuation

Balance unspent at beginning of year	1 631 675	1 631 675
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(205 636)	-
Conditions still to be met - transferred to liabilities (see note 9)	1 426 039	1 631 675

24.19 Provincial : Water Meters Zoar

Balance unspent at beginning of year	424 464	424 464
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	44 467	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	468 931	424 464

24.20 Provincial: 132 KVA Sub Station

Balance unspent at beginning of year	2 497 414	2 497 414
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	2 497 414	2 497 414

24.21 Provincial : Office Equipment

Balance unspent at beginning of year	34 237	34 237
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	(34 237)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	34 237

24.22 Provincial : GOR General Expenses

Balance unspent at beginning of year	34 814	34 814
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	(34 814)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	34 814

24.23 Provincial: Social Plan

Balance unspent at beginning of year	63 983	63 983
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	(63 983)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	-	63 983

24.24 Provincial : Housing LDS

Balance unspent at beginning of year	194 815	(755 325)
Current year receipts	8 562 028	5 990 599
Capital spending - transferred to deferred income	(8 690 730)	-
Conditions met - transferred to revenue	-	(5 040 459)
Conditions still to be met - transferred to liabilities (see note 9)	66 113	194 815
Conditions	-	-

24.25 Provincial : IDP General

Balance unspent at beginning of year	(48 194)	2 970
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	48 194	-
Conditions met - transferred to revenue	-	(51 164)
Conditions still to be met - transferred to liabilities (see note 9)	-	-
Conditions	(48 194)	-

24.26 Provincial: General Drought Relief

Balance unspent at beginning of year	199 882	268 882
Current year receipts	-	-
Adjustments	2 100	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	(69 000)
Conditions still to be met - transferred to liabilities (see note 9)	199 882	199 882

24.27 Provincial : Hydrologist Investigation

Balance unspent at beginning of year	7 675	62 500
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	(7 675)	-
Conditions met - transferred to revenue	-	(54 825)
Conditions still to be met - transferred to liabilities (see note 9)	0	7 675

24.28 Provincial: Swimming Pool Calitzdorp

Balance unspent at beginning of year	85 388	416 973
Current year receipts	-	250 000
Capital spending - transferred to deferred income	(85 388)	-
Conditions met - transferred to revenue	-	(581 585)
Conditions still to be met - transferred to liabilities (see note 9)	0	85 388

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24.29 Provincial : Swimming Pool Ladismith

Balance unspent at beginning of year	203 829	431 182
Current year receipts	-	204 733
Capital spending - transferred to deferred income	(193 639)	-
Transfer to other funds	(10 190)	-
Conditions met - transferred to revenue	-	(432 086)
Conditions still to be met - transferred to liabilities (see note 9)	<u>0</u>	<u>203 829</u>

24.30 Provincial : Drafting Financial Statements

Balance unspent at beginning of year	-	100 368
Current year receipts	-	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	(100 368)
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

24.31 Provincial: Taxi Rank

Balance unspent at beginning of year	620 871	506 476
Current year receipts	-	500 000
Capital spending - transferred to deferred income	(182 580)	-
Conditions met - transferred to revenue	(25 561)	(385 605)
Conditions still to be met - transferred to liabilities (see note 9)	<u>412 730</u>	<u>620 871</u>

24.32 Flood damage projects

Balance unspent at beginning of year	800 000	-
Current year receipts	-	800 000
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(696 540)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>103 460</u>	<u>800 000</u>

24.33 Van Wyksdorp water research

Balance unspent at beginning of year	31 466	-
Current year receipts	-	63 000
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	(31 534)
Conditions still to be met - transferred to liabilities (see note 9)	<u>31 466</u>	<u>31 466</u>

24.34 Provincial : Umsobomwu

Balance unspent at beginning of year	90 281	-
Current year receipts	-	300 000
Capital spending - transferred to deferred income	-	-
Transfer to other funds	550	-
Conditions met - transferred to revenue	(86 848)	(209 719)
Conditions still to be met - transferred to liabilities (see note 9)	<u>3 984</u>	<u>90 281</u>

24.35 Eden : Waka Waka Music Festival

Balance unspent at beginning of year	-	-
Current year receipts	-	50 000
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	(50 000)
Surplus Fund	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

24.37 District Council

Balance unspent at beginning of year	-	-
Current year receipts	25 000	45 267
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(25 000)	(45 267)
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

24.38 District Council

Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	(40 842)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>259 158</u>	<u>-</u>

24.39 Provincial -Sportgrounds Van Wyksdorp

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Transferred from other funds	33 629	-
Capital spending - transferred to deferred income	(29 499)	-
Conditions met - transferred to revenue	(4 130)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

24.41 District Council Housing

Balance unspent at beginning of year	-	-
Current year receipts	17 426	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>17 426</u>	<u>-</u>

24.42 Electrification 380 Erven Ladismith

Balance unspent at beginning of year	-	-
Current year receipts	2 248 166	-
Capital spending - transferred to deferred income	(2 248 166)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24.43 District Council Zoar prepaid

Balance unspent at beginning of year	-	-
Current year receipts	179 360	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	11 297	-
Conditions met - transferred to revenue	(190 657)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>(0)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

24.44 Ladismith Electrical upgrading

Balance unspent at beginning of year	-	-
Current year receipts	751 834	-
Capital spending - transferred to deferred income	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>751 834</u>	<u>-</u>
	<u>-</u>	<u>-</u>

24.45 District Council Ladismith roads

Balance unspent at beginning of year	-	-
Current year receipts	549 000	-
Capital spending - transferred to deferred income	-	-
Transfer to other funds	(88 939)	-
Conditions met - transferred to revenue	(460 061)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

	2 008	2 007
TOTAL GRANTS AND SUBSIDIES	R	R
Balance unspent at beginning of year	10 062 398	9 682 929
Current year receipts	53 531 112	23 913 983
Capital spending - transferred to deferred income	(36 443 204)	(5 257 045)
Transfer to other funds	(260 227)	-
Adjustment	(134 168)	-
Conditions met - transferred to revenue	(14 696 281)	(18 277 468)
Conditions still to be met - transferred to liabilities (see note 9)	<u>12 059 631</u>	<u>11 028 651</u>
Conditions met balance due by government transferred to current asset	<u>-</u>	<u>(966 253)</u>

These grants received from National Government are for operating and capital expenditure such as budget reform, restructuring and other. Excluding the amounts unspent, the conditions of the grants have been met. See appendix F.

Changes in levels of government grants	53 531 112	23 913 983
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Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years .

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

25. OTHER INCOME

Included in other income is the following:

	2008	2007
	R	R
Advertisement	19 737	20 553
Building Plan Fees	17 767	19 752
Sundries	1 182 325	96 506
Photocopies	491	1 704
Photocopies and Faxes	566	626
Rent Instalments	100 609	101 035
Collection Lost Books	-	6 254
Building Of Graves	100	768
Search Fees	-	-
Subdivision / Rezoning	9 980	10 338
Circuit Breaker - Changes	84	550
Surplus Cash	1 323	817
Refridiration	7 225	9 123
Sales Plots	23 120	20 477
Valuation Certificates	5 112	5 824
Property Certificates	-	8 522
Imbizo Week	-	78 563
Compensation Commissioner	-	141
Caravan Stands	-	3 509
Telephone Recoveries	128 327	2 524
Swimmingpool Income	5 697	1 868
Total Other Income	1 502 463	389 454
Attributable to:		
Continuing Operations	1 502 463	389 454
Discontinued Operations	-	-
	1 502 463	389 454

26. EMPLOYEE RELATED COSTS

	2008	2007
	R	R
Employee related costs - Salaries and Wages	10 423 869	9 142 183
Employee related costs - Contributions for UIF, pensions and medical aids	1 885 746	1 535 538
Travel, motor car, accommodation, subsistence and other allowances	1 186 429	-
Housing benefits and allowances	61 515	-
Overtime payments	838 814	-
Contribution to Leave Gratuity	223 768	-
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	(1 630 209)	-
Less: Employee related costs (Discontinued Operations)	-	-
Total Employee Related Costs	12 989 932	10 677 721
EMPLOYEE RELATED COSTS		
Attributable to:		
Continuing Operations	12 989 932	10 677 721
Discontinued Operations	-	-
	12 989 932	10 677 721

No advances were made to employees.

Remuneration of the Municipal Manager

Annual Remuneration	603 510	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	603 510	-

Remuneration of the Chief Finance Officer

Annual Remuneration	441 091	559 119
Car Allowance	-	4 296
Contributions to UIF, Medical and Pension Funds	41 056	45 824
Total	482 147	609 239

The post were vacant for the more than a year. The Municipal Manager were appointed on 8 December 2006, the Chief Financial Officer on 21 May 2007 and the Chief Corporate Services on 16 April 2007.

Remuneration of the Chief Corporate Services

Annual Remuneration	482 459	61 523
Car Allowance	-	21 067
Total	482 459	82 590

Remuneration of the Technical Officer

Annual Remuneration	289 474	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	289 474	-

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
27 REMUNERATION OF COUNCILLORS		
Executive Mayor	378 844	328 778
Deputy Executive Mayor	311 859	250 895
Speaker	187 142	157 495
Councillors	977 732	693 115
Total Councillors - Remuneration	1 855 577	1 430 283

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Certification by the Municipal Manager

Signed: Municipal Manager

28. IMPAIRMENT LOSSES

28.1 Impairment Losses on Financial Assets

Trade Receivables	3 137 302	16 941 764
Other receivables	-	917 832
Less reversal of Impairment Losses recognised on Trade Receivables	(337 302)	-
Total	2 800 000	17 859 596
Total Impairment Losses	2 800 000	17 859 596
Attributable to:		
Continuing Operations	2 800 000	17 859 596
Discontinued Operations	-	-
	2 800 000	17 859 596

29. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	3 011 301	2 665 144
Depreciation: Investment Property	-	-
Amortisation: Intangible Assets	-	-
Total Depreciation and Amortisation	3 011 301	2 665 144
Attributable to:		
Continuing Operations	3 011 301	2 665 144
Discontinued Operations	-	-
	3 011 301	2 665 144

30. INTEREST PAID

Long-term liabilities	2 489 795	2 233 668
Finance leases	-	-
Bank overdrafts	-	-
Total Interest Expense	2 489 795	2 233 668
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest on External Borrowings	2 489 795	2 233 668
Attributable to:		
Continuing Operations	2 489 795	2 233 668
Discontinued Operations	-	-
	2 489 795	2 233 668

31. BULK PURCHASES

Electricity	9 772 703	8 446 193
Water	194 078	247 262
Total Bulk Purchases	9 966 781	8 693 455

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Escom whilst Water is purchased from the Calitzdorp Irrigation Board.

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
32. GRANTS AND SUBSIDIES PAID		
* Sundry Grants	54 684	-
Indigent subsidies paid	2 461 987	1 360 778
Grants - operational	6 904 258	11 552 237
Total Grants and Subsidies	9 420 929	12 913 015

* The aim of these organisations entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

Households with monthly income of R1 740 and less qualify to apply for an indigent subsidy. If their application is approved they will qualify for a maximum subsidy of R154.00 p.m. (2006/2007 – R 123.00 p.m.).

	2008 R	2007 R
33 GENERAL EXPENSES		
Insurance	196 265	242 147
Workmen Compensation	66 664	150 307
Printing & Stationery	197 353	133 987
Postage & Stamps	130 437	53 076
Publicity & IDP	89 841	121 843
Subsistence & Travel Expense	588 853	188 404
Telephone	641 388	508 850
Fuel & Oil	475 134	337 345
Chemicals	224 953	149 100
Service Fees Electricity & Water	727 840	559 505
Delegation Cost	62 240	46 861
Office Expense, Refreshments Etc.	3 271	2 272
Entertainment	65 393	31 543
Transport Cost	7 434	28 386
Contribution Bargaining Council	3 159	2 961
Black Bags (Refuse)	90 504	48 501
Advertisements	93 852	26 356
Deeds Registration	3 315	3 817
Bank Costs	122 674	100 415
Bank Interest	163	1 706
Medical	-	140 575
Training	33 089	-
Equipment rent Etc.	197 894	170 603
Subscription Fees (SALGA)	48 183	58 218
Licenses	33 950	77 340
Medicine & Bandages	-	304
Programs NCR	153 973	32 440
Audit Fees	570 605	530 282
Legal Fees	28 911	23 840
LED Economical	10 912	-
Cleaning Accessories	23 015	19 555
Courier Cost	1 151	1 526
Street Lighting	60 323	99 893
Relocation Cost	14 850	15 738
Uniforms	27 396	27 864
Competence Levies Training	100 284	125 720
Task	21 781	-
Upliftment	169 839	-
Tourism	117 624	-
Lost Books	8 460	1 282
Material & Stock	2 382	2 508
Test Station Certificate	2 468	-
Mayors Allowance	-	1 660
Pauper funerals	1 593	-
IDP	31 623	8 550
Public Participation	15 309	4 000
Imbizo Week	170 907	38 111
LED Economical	-	900
Total General Expenses	5 637 253	4 118 290

KANNALAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

34 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following International Accounting Standards for the first time during the financial year 2007/2008 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2008:

- IAS 20 Government Grants

The financial statements of 2007 have been restated to effect the changes in accounting policy. The effect of the restatement is summarised below:

	As previously reported	Amount of correction	Restated
	R	R	R
a) Adjustment of opening balances			
Government Grants reserve as at 1 July 2006	13 919 334	(13 919 334)	-
Deferred Revenue as at 1 July 2006	-	13 919 334	13 919 334
b) Adjustment of accumulated surplus/movement for the year ended 30 June 2007			
Government Grants Received	23 534 513	(3 781 986)	19 752 527
Government Grants paid	(18 170 060)	5 257 045	(12 913 015)
Affect on Surplus for the year (refer to note 3)	<u>5 364 453</u>	<u>1 475 059</u>	<u>6 839 512</u>

35. CORRECTION OF ERROR

35.1 RESTATEMENT OF CASH AND CASH EQUIVALENTS

The following balances have been restated to correct a classification error on the prior year financial statements:

	Cash and Cash equivalents	Other debtors	Total
Balances as per previous financial statements as at 30 June 2007	7 031 317	1 640 567	8 671 884
Reclassification	(50 000)	50 000	-
Revised figures as at 30 June 2007	<u>6 981 317</u>	<u>1 690 567</u>	<u>8 671 884</u>

36 CASH GENERATED BY OPERATIONS

Surplus for the year	(410 510)	(13 724 554)
Adjustment for:-		
Previous years	(20 415)	-
Interest Capitalised	2 141 192	-
Depreciation	3 011 301	2 665 144
Correction on loans redeemed	-	(435 936)
Unbundling Corrections	-	2 151 070
Assets From Grants	36 443 204	-
Depreciation on assets from grants	-	5 257 045
Increase/(Decrease) in provisions	1 232 000	-
Equity accounted share of associate's surplus	-	18 059 596
Investment income	(2 179 410)	(1 586 251)
Transfer to DR	(1 445 720)	(1 475 059)
Interest paid	2 489 795	2 233 668
Operating surplus before working capital changes:	<u>41 261 436</u>	<u>13 144 722</u>
(Increase)/decrease in inventories	29 337	(169 675)
(Increase)/Decrease in Assets classified as Held-for-Sale	-	-
(Increase)/decrease in consumer debtors	(1 593 508)	(4 318 985)
(Increase)/decrease in other debtors	939 494	1 029 908
(Decrease)/increase in conditional grants and receipts	1 030 977	204 134
Increase/(Decrease) in long-term Receivables	2 575	-
Increase/(Decrease) in Operating lease liability	-	-
Increase/(Decrease) in creditors	625 422	(2 680 584)
Increase/(Decrease) in VAT	(1 195 350)	(853 829)
Cash generated by/(utilised in) operations	<u>41 100 384</u>	<u>6 355 691</u>

37. CASH AND CASH EQUIVALENTS

Bank balances and cash	10 153 629	6 979 967
Call investment deposits	-	-
Petty Cash Advances	1 350	1 350
Total cash and cash equivalents	<u>10 154 979</u>	<u>6 981 317</u>

38 OPERATING LEASE COMMITMENTS
The Municipality as Lessee:

Operating Leases relate to Property, plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
Vehicles and other equipment	-	-
Up to 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
	-	-

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	-	-
Contingent rentals	-	-
Sub-lease payments received	-	-
	2008	2007
	R	R

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 4)	16 275 585	17 744 487
Used to finance property, plant and equipment - at cost	-	-
Sub- total	16 275 585	17 744 487
Cash set aside for the repayment of long-term liabilities	(741 793)	(1 468 902)
Cash invested for repayment of long-term liabilities	15 533 792	16 275 585

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
40.1 Unauthorised expenditure

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

40.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	2 087 756	1 341 914
Fruitless and wasteful expenditure current year	690 651	745 842
Condoned or written off by Council	(2 742 829)	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	35 578	2 087 756

Incident	Disciplinary steps/criminal proceedings
Assistant Municipal Manager and Director: Technical Services were suspended.	Director Technical Services resigned during 2006/07. The expenditure has implicitly been condoned by council in their actions.
Interest paid due to late payment of Eskom account	None

40.3 Irregular expenditure

The following instances of irregular expenditure was incurred during the year under review:

Reconciliation of Irregular Expenditure:

Opening balance	-	-
Irregular Expenditure current year	-	-
Irregular Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings

	2008 R	2007 R
41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>41.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions		
Amount paid - current year		
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>41.2 Audit fees</u>		
Opening balance	5 203	27 137
Current year audit fee	570 605	646 753
Amount paid - current year	(570 605)	(641 550)
Amount paid - previous years	(5 203)	(27 137)
Balance unpaid (included in creditors)	-	5 203

41.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 17. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE and UIF

Opening balance	13 819	-
Current year payroll deductions	1 983 747	1 447 340
Amount paid - current year	(1 980 139)	(1 433 521)
Amount paid - previous years	(13 819)	-
Balance unpaid (included in creditors)	3 608	13 819

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

41.5 Pension and Medical Aid Deductions

Opening balance	(27 335)	-
Current year payroll deductions and Council Contribution	2 985 951	2 671 254
Amount paid - current year	(2 961 680)	(2 698 589)
Amount paid - previous years		
Balance unpaid (included in creditors)	(3 064)	(27 335)

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the

41.6 Councillor's arrear consumer accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total R	Outstanding up to 90 days R	Outstanding more than 90 days R
30 June 2008			
Councillor	-	-	-
Councillor	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
30 June 2007			
Councillor CE Adams	1 875	991	884
Councillor M Barry	1 150	355	795
Total Councillor Arrear Consumer Accounts	3 025	1 346	1 679

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed hereunder have been condoned.

Incident	Reasons submitted for non-compliance
Non compliance with the procurement system to the value of R 101 440	None

42. COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

2008

R

2007

R

-	2 236 534
-	2 141 706
-	94 828
-	-
-	-
-	-
-	-

- Approved but not yet contracted for

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

17 780 000

-

17 780 000	-
-	-
-	-
-	-
-	-
-	-
-	-

Total

17 780 000

2 236 534

This expenditure will be financed from:

- External Loans

- Capital Replacement Reserve

- Government Grants

- Own resources

- District Municipality Grants

3 800 000

-

-

-

13 950 000

2 236 534

30 000

-

-

-

17 780 000

2 236 534

43. Contingent Liabilities

The municipality's attorneys has advised that the municipality might incur future liabilities pending a Labour APPEAL Court decision regarding possible unfair dismissal of 24 employees of the municipality. No reasonable estimation could be made regarding a possible future liability in this regard.

44. FINANCIAL INSTRUMENTS

44.1 Classification

FINANCIAL ASSETS

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial assets</u>	<u>Classification</u>	2008 R	2007 R
Investments			
Unlisted Investments - Municipal Stock	Held to maturity	-	-
Fixed Term Deposits	Held to maturity	2 129 194	1 873 047
Long-term Receivables			
Loans to Sport Clubs	Loans and receivables	19 917	22 703
Consumer Debtors			
Rates	Loans and receivables	1 248 512	415 169
Electricity	Loans and receivables	1 019 349	648 277
Water	Loans and receivables	976 197	330 103
Sewerage	Loans and receivables	214 787	305 344
Refuse Removal	Loans and receivables	66 136	-
Housing Rentals	Loans and receivables	58 506	15 171
Other Debtors			
Government grants and subsidies	Loans and receivables	622 723	918 059
Sundry debtors	Loans and receivables	708 882	1 690 341
Current Portion of Long-term Receivables			
Loans to Sport Clubs	Loans and receivables	2 786	2 575
VAT Receivable			
VAT Control Accounts	Loans and receivables	1 519 098	317 273
Bank Balances and Cash			
Bank Balances	Available for sale	10 154 979	6 981 317
Cash Floats and Advances	Available for sale	1 350	1 350
Total Financial Assets		18 742 416	13 520 729

FINANCIAL LIABILITIES

<u>Financial liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised Cost	18 209 071	17 744 487
Consumer Deposits			
Electricity and Water	Amortised Cost	453 746	435 917
Creditors			
Trade creditors	Amortised Cost	1 159 401	397 076
Payments received in advance	Amortised Cost	438 158	396 356
Staff leave	Amortised Cost	855 739	655 956
Other creditors	Amortised Cost	2 169 718	2 548 206
Unspent Conditional Grants and Receipts			
Other Spheres of Government	Amortised Cost	12 059 628	11 028 651
VAT Payable			
VAT Control Accounts	Amortised Cost	152 271	145 796
Short-term Loans			
Call Bonds	Amortised Cost		
Operating Lease Liability			
Operating Lease Liability	Amortised Cost	-	-
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised Cost	741 793	-
Total Financial Liabilities		36 239 525	33 352 445

44.2 Fair Value of Financial Instruments

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement to approximate their fair values on 30 June 2008.

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The personnel of the Kannaland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit plan, whereas the Cape Joint Retirement Fund, Municipal Councillors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0 %) and Council (18,0 %) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2007 (30 June 2006) revealed that the fund had an actuarial surplus of R 105,04 (R 38,6) million with a funding level of 137,4 % (114,0 %). Certified in a sound financial position as at 30 June 2007.

MUNICIPAL COUNCILLORS PENSION FUND

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2006 and was reported to be in a sound financial position. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 7,5 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2005 certified that the fund is in a sound financial state.

None of the above mentioned plans are state plans.

46 IN-KIND DONATION AND ASSISTANCE

The Municipality did not receive any in-kind donation and assistance during the year under review.

47. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures ' (1) and E (2) '.

47. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

48. EVENTS AFTER THE REPORTING DATE

It has come to management's attention that an allocated DPLG grant of R3,993,000 for the 2008/09 financial year and an allocated MSIG grant of R735,000 for the 2008/09 financial year may be withheld from the municipality due to the municipalities non-compliance with conditions related to these grants.

KANNALAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008****11 PROPERTY, PLANT AND EQUIPMENT****30 June 2008**

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Housing	Other	Leased infrastructure	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2007	395 615	25 508 337	2 324 305	2 973 428	4 128 049	-	35 329 734
Cost	469 012	49 211 147	3 326 721	4 461 963	8 048 998	-	65 517 841
Correction of error							-
Revaluation							-
Accumulated depreciation	(73 397)	(23 702 810)	(1 002 416)	(1 488 535)	(3 920 949)	-	(30 188 107)
- Cost	(73 397)	(23 702 810)	(1 002 416)	(1 488 535)	(3 920 949)	-	(30 188 107)
- Correction of error							-
- Revaluation							-
Acquisitions	-	182 579	308 527	-	1 752 814		2 243 920
Capital under Construction	-	25 261 623	246 931	8 690 730	-	-	34 199 284
Increases/decreases in revaluation							-
Depreciation	(6 686)	(2 241 140)	(127 522)	(149 139)	(486 814)	-	(3 011 301)
- based on cost	(6 686)	(2 241 140)	(127 522)	(149 139)	(486 814)		(3 011 301)
- based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation							-
Accumulated depreciation							-
Impairment losses	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Carrying values at 30 June 2008	388 929	48 711 400	2 752 241	11 515 019	5 394 048	-	68 761 637
Cost	469 012	74 655 350	3 882 179	13 152 693	9 801 812	-	101 961 046
Correction of error							-
Revaluation							-
Accumulated depreciation	(80 083)	(25 943 950)	(1 129 938)	(1 637 674)	(4 407 764)	-	(33 199 409)
- Cost	(80 083)	(25 943 950)	(1 129 938)	(1 637 674)	(4 407 764)	-	(33 199 409)
- Correction of error							-
- Revaluation							-

KANNALAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008****11 PROPERTY, PLANT AND EQUIPMENT (Continued)****30 June 2007**

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Housing	Other	Leased infrastructure	Total
R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	402 282	24 010 754	2 397 038	3 122 159	2 805 599	-	32 737 832
Cost	469 012	45 660 514	3 281 454	4 461 963	6 387 853	-	60 260 796
Correction of error						-	-
Revaluation						-	-
Accumulated depreciation	(66 730)	(21 649 760)	(884 416)	(1 339 804)	(3 582 254)	-	(27 522 964)
- Cost	(66 730)	(21 649 760)	(884 416)	(1 339 804)	(3 582 254)	-	(27 522 964)
- Correction of error						-	-
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	3 550 633	45 267	-	1 661 145		5 257 045
Capital under Construction							-
Increases/decreases in revaluation							-
Depreciation	(6 667)	(2 053 050)	(118 000)	(148 732)	(338 695)	-	(2 665 144)
- based on cost	(6 667)	(2 053 050)	(118 000)	(148 732)	(338 695)		(2 665 144)
- based on revaluation				-			-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation				-			-
Accumulated depreciation							-
Impairment losses	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Carrying values at 30 June 2007	395 615	25 508 337	2 324 305	2 973 427	4 128 049	-	35 329 733
Cost	469 012	49 211 147	3 326 721	4 461 963	8 048 998	-	65 517 841
Correction of error							-
Revaluation							-
Accumulated depreciation	(73 397)	(23 702 810)	(1 002 416)	(1 488 536)	(3 920 949)	-	(30 188 108)
- Cost	(73 397)	(23 702 810)	(1 002 416)	(1 488 536)	(3 920 949)	-	(30 188 108)
- Correction of error							-
- Revaluation							-

Refer to Appendices B, C and E (2) for more detail on property, plant and equipment, including those in the course of construction.

APPENDIX A

KANNALAND MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

	Loan Number	Redeemable	Balance at 30/06/2007	Received during the period	Adjustments	Redeemed written off during the period	Balance 30/06 2008	Carrying Value of Property, Plant and Equipment	Other Costs in accordance with the MFMA
EXTERNAL LOANS									
LONG- TERM LOANS									
ABSA: LDS - 132 kVa Substation @ 11,50%		01/12/2008	1 289 660	-	-	(834 883.96)	454 776		-
Bankfin: CAL - Electrical Meters @ 14,55%		01/10/2007	55 470	-	-	(55 470.32)	-		
DBSA:Consolidated Loans @ 12,50%		30/06/2017	16 399 357	-	(4 811 265.06)	(44 461.21)	11 543 631		
DBSA:Consolidated Loans @ 0%			-	-	6 952 457	-	6 952 457		
						-			
			17 744 487	-	2 141 192	(934 815)	18 950 864	-	-
LEASES									
			-				-		-
			-				-		-
Total leases			-	-		-	-	-	-
TOTAL EXTERNAL LOANS								-	-

Development Bank Loan No WC 103021

The loan from DBSA has been consolidated and rescheduled to an amount of R 11 587 526.79 that must be repaid in 180 monthly installments commencing on 31 May 2008 with a fixed interest rate of 12.50% per year. An amount of R 6 952 465.76 will be carried as a long term liability but will be written-off over a periode of three years from the effective date on the

ABSA Loan No 30-1109-3231

The loan to ABSA carries an interest rate of 11.50% and the final instalment will be paid by the 1 December 2008

APPENDIX B**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	268 987	-	-	-	268 987	-	-	-	-	268 987
Buildings	200 025	-	-	-	200 025	73 397	6 686	-	80 083	119 942
	469 012	-	-	-	469 012	73 397	6 686	-	80 083	388 929
Infrastructure										
Fencing	99 289	-	-	-	99 289	99 289	-	-	99 289	-
Mains	877 484	-	-	-	877 484	43 994	43 994	-	87 989	789 495
Meters	280 000	-	-	-	280 000	56 077	14 038	-	70 115	209 885
Meters	19 021	-	-	-	19 021	13 959	1 272	-	15 230	3 791
Other Roads	4 664 071	-	-	-	4 664 071	4 664 071	-	-	4 664 071	-
Purification	5 419 368	-	-	-	5 419 368	2 982 879	271 711	-	3 254 590	2 164 778
Reservoirs	4 609 752	-	-	-	4 609 752	1 906 878	231 119	-	2 137 997	2 471 755
Security Systems	4 900	-	-	-	4 900	3 512	983	-	4 495	405
Sewerage Pumps	420 413	-	-	-	420 413	308 533	28 104	-	336 637	83 776
Sewers	8 288 663	-	23 013 457	-	31 302 120	2 808 240	415 569	-	3 223 809	28 078 311
Sludge Machines	8 396	-	-	-	8 396	6 162	561	-	6 723	1 673
Stormwater Drainage	5 902 469	-	-	-	5 902 469	3 248 784	295 932	-	3 544 716	2 357 753
Supply / Reticulation	14 123 084	-	-	-	14 123 084	5 517 158	707 921	-	6 225 079	7 898 005
Supply / Reticulation	4 464 669	-	2 248 166	-	6 712 835	2 032 424	223 845	-	2 256 269	4 456 566
Taxi Ways	-	182 579	-	-	182 579	-	5 102	-	5 102	177 477
Transformers kiosk	29 568	-	-	-	29 568	10 849	988	-	11 838	17 730
	49 211 148	182 579	25 261 623	-	74 655 349	23 702 810	2 241 140	-	25 943 949	48 711 400
Community Assets										
Community Centrum	1 042 587	-	-	-	1 042 587	382 567	34 848	-	417 415	625 172
Clinics / Hospitals	40 000	-	-	-	40 000	14 678	1 337	-	16 015	23 985
Libraries	1 248 797	-	246 931	-	1 495 728	274 935	41 741	-	316 675	1 179 053
Outdoor Sports	443 825	-	-	-	443 825	143 492	22 252	-	165 744	278 081
Parks	317 800	-	-	-	317 800	104 197	10 622	-	114 819	202 981
Public Convene	115 436	-	-	-	115 436	42 358	3 858	-	46 216	69 220
Stadiums	45 267	-	-	-	45 267	4	1 513	-	1 517	43 750
Tennis Courts	73 009	-	-	-	73 009	40 185	3 660	-	43 846	29 163
Swimming pools	-	279 027	-	-	279 027	-	7 141	-	7 141	271 886
Recreation center	-	29 499	-	-	29 499	-	550	-	550	28 949
	3 326 721	308 527	246 931	-	3 882 178	1 002 416	127 522	-	1 129 938	2 752 240
Heritage Assets										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Housing Rental Stock										
Housing Rental 1	-	-	-	-	-	-	-	-	-	-
Housing Schemes	4 461 963	-	8 690 730	-	13 152 693	1 488 535	149 139	-	1 637 675	11 515 018
	4 461 963	-	8 690 730	-	13 152 693	1 488 535	149 139	-	1 637 675	11 515 018
Total carried forward	57 468 844	491 106	34 199 284	-	92 159 232	26 267 158	2 524 487	-	28 791 645	63 367 587

APPENDIX B**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	57 468 844	491 106	34 199 284	-	92 159 232	26 267 158	2 524 487	-	28 791 645	63 367 587
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Air Conditioners	76 293	-	-	-	76 293	76 293	-	-	76 293	-
Cabinets / Cupboards	14 196	-	-	-	14 196	11 723	814	-	12 536	1 660
Chairs	51 756	-	-	-	51 756	40 926	3 693	-	44 620	7 136
Churches	34 500	-	-	-	34 500	12 659	1 153	-	13 813	20 687
Compressors	63 984	-	-	-	63 984	63 984	-	-	63 984	-
Computer Hardware	958 729	-	-	-	958 729	676 413	119 423	-	795 836	162 893
Computer Software	399 264	-	-	-	399 264	332 967	24 476	-	357 442	41 822
Farms	122 500	-	-	-	122 500	44 950	4 095	-	49 045	73 455
General	314 613	440 000	-	-	754 613	312 703	39 168	-	351 871	402 742
Graders	15 000	-	-	-	15 000	15 000	-	-	15 000	-
Laboratory Equipment	24 325	-	-	-	24 325	24 325	-	-	24 325	-
Lawnmowers	30 142	-	-	-	30 142	30 142	-	-	30 142	-
Miscellaneous	100 498	-	-	-	100 498	96 023	1 173	-	97 196	3 302
Motor Vehicles	6 409	-	-	-	6 409	3 364	1 285	-	4 650	1 759
Municipal Housing	192 400	-	-	-	192 400	70 599	6 431	-	77 029	115 371
Office Buildings	2 660 017	-	-	-	2 660 017	604 203	88 910	-	693 113	1 966 904
Office Machines	39 478	-	-	-	39 478	39 478	-	-	39 478	-
Radio Equipment	11 889	-	-	-	11 889	11 889	-	-	11 889	-
Tables / Desks	15 878	-	-	-	15 878	13 525	760	-	14 285	1 593
Telecommunication	60 086	-	-	-	60 086	60 086	-	-	60 086	-
Tip Sites	288 342	-	-	-	288 342	105 804	9 638	-	115 442	172 900
Tipplers	19 000	-	-	-	19 000	13 944	1 270	-	15 214	3 786
Town Planning	251 563	-	-	-	251 563	251 563	-	-	251 563	-
Tractors	310 085	-	-	-	310 085	310 085	-	-	310 085	-
Transport Facilities	1 109 215	-	-	-	1 109 215	65 100	37 075	-	102 175	1 007 040
Trucks / Bakkies	868 338	1 312 814	-	-	2 181 151	629 348	147 098	-	776 446	1 404 705
Vacant Land	-	-	-	-	-	-	-	-	-	-
Workshops/ Depot	10 500	-	-	-	10 500	3 853	351	-	4 204	6 296
	-	-	-	-	-	-	-	-	-	-
	8 048 998	1 752 814	-	-	9 801 813	3 920 949	486 814	-	4 407 762	5 394 051
Total: Property, Plant and Equipment	65 517 842	2 243 920	34 199 284	-	101 961 045	30 188 107	3 011 301	-	33 199 407	68 761 638

APPENDIX B**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008****ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2008**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Total: Investment Property	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Amortisation and Impairment				Carrying Value
	Opening Balance	Additions	Under Development	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Website Development	-	-	-	-	-	-	-	-	-	-
Valuation Roll	-	-	-	-	-	-	-	-	-	-
Total: Intangible Assets	-	-	-	-	-	-	-	-	-	-
Grand Total	65 517 842	2 243 920	34 199 284	-	101 961 045	30 188 107	3 011 301	-	33 199 407	68 761 638

APPENDIX B (2)**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	268 987	-	-	-	268 987		-	-	-	268 987
Buildings	200 025	-	-	-	200 025	66 730	6 667	-	73 397	126 628
	469 012	-	-	-	469 012	66 730	6 667	-	73 397	395 615
Infrastructure										
Fencing	99 289	-	-	-	99 289	99 289	-	-	99 289	-
Mains	877 484	-	-	-	877 484	120	43 874	-	43 994	833 490
Meters	280 000	-	-	-	280 000	42 077	14 000	-	56 077	223 923
Meters	19 021	-	-	-	19 021	12 691	1 268	-	13 959	5 062
Other Roads	4 664 071	-	-	-	4 664 071	4 664 071	-	-	4 664 071	-
Purification	5 419 368	-	-	-	5 419 368	2 711 911	270 968	-	2 982 879	2 436 489
Reservoirs	4 609 752	-	-	-	4 609 752	1 676 390	230 488	-	1 906 878	2 702 874
Security Systems	4 900	-	-	-	4 900	2 532	980	-	3 512	1 388
Sewerage Pumps	420 413	-	-	-	420 413	280 506	28 028	-	308 533	111 880
Sewers	4 738 030	3 550 633	-	-	8 288 663	2 570 853	237 388	-	2 808 240	5 480 423
Sludge Machines	8 396	-	-	-	8 396	5 602	560	-	6 162	2 234
Stormwater Drainage	5 902 469	-	-	-	5 902 469	2 953 660	295 123	-	3 248 784	2 653 685
Supply / Reticulation	14 123 084	-	-	-	14 123 084	4 811 003	706 154	-	5 517 158	8 605 926
Supply / Reticulation	4 464 669	-	-	-	4 464 669	1 809 191	223 233	-	2 032 424	2 432 245
Transformers kiosk	29 568	-	-	-	29 568	9 864	986	-	10 849	18 719
	45 660 514	3 550 633	-	-	49 211 147	21 649 760	2 053 050	-	23 702 809	25 508 338
Community Assets										
Community Centrum	1 042 587	-	-	-	1 042 587	347 814	34 753	-	382 567	660 020
Clinics / Hospitals	40 000	-	-	-	40 000	13 344	1 333	-	14 678	25 322
Libraries	1 248 797	-	-	-	1 248 797	233 308	41 627	-	274 935	973 862
Outdoor Sports	443 825	-	-	-	443 825	121 301	22 191	-	143 492	300 333
Parks	317 800	-	-	-	317 800	93 603	10 593	-	104 197	213 603
Public Convene	115 436	-	-	-	115 436	38 510	3 848	-	42 358	73 078
Stadiums	-	45 267	-	-	45 267	-	4	-	4	45 263
Tennis Courts	73 009	-	-	-	73 009	36 535	3 650	-	40 185	32 824
	3 281 454	45 267	-	-	3 326 721	884 416	118 000	-	1 002 416	2 324 305
Heritage Assets										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Housing Rental Stock										
Housing Rental 1	-	-	-	-	-	-	-	-	-	-
Housing Schemes	4 461 963	-	-	-	4 461 963	1 339 804	148 732	-	1 488 536	2 973 427
	4 461 963	-	-	-	4 461 963	1 339 804	148 732	-	1 488 536	2 973 427
Total carried forward	53 872 943	3 595 900	-	-	57 468 843	23 940 710	2 326 449	-	26 267 158	31 201 685

APPENDIX B (2)**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	53 872 943	3 595 900	-	-	57 468 843	23 940 710	2 326 449	-	26 267 158	31 201 685
Leased Assets	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purify	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Air Conditioners	76 293	-	-	-	76 293	74 330	1 963	-	76 293	-
Cabinets / Cupboards	14 196	-	-	-	14 196	10 911	811	-	11 723	2 473
Chairs	51 756	-	-	-	51 756	37 243	3 683	-	40 926	10 830
Churches	34 500	-	-	-	34 500	11 509	1 150	-	12 659	21 841
Compressors	63 984	-	-	-	63 984	63 984	-	-	63 984	-
Computer Hardware	923 902	34 827	-	-	958 729	556 828	119 585	-	676 413	282 316
Computer Software	343 157	56 107	-	-	399 264	313 391	19 576	-	332 967	66 297
Farms	122 500	-	-	-	122 500	40 867	4 083	-	44 950	77 550
General	314 613	-	-	-	314 613	310 860	1 843	-	312 703	1 910
Graders	15 000	-	-	-	15 000	15 000	-	-	15 000	-
Laboratory Equipment	24 325	-	-	-	24 325	24 325	-	-	24 325	-
Lawnmowers	30 142	-	-	-	30 142	30 142	-	-	30 142	-
Miscellaneous	100 498	-	-	-	100 498	94 853	1 170	-	96 023	4 475
Motor Vehicles	6 409	-	-	-	6 409	2 083	1 282	-	3 364	3 045
Municipal Housing	192 400	-	-	-	192 400	64 185	6 413	-	70 599	121 801
Office Buildings	1 646 345	1 013 671	-	-	2 660 017	549 233	54 971	-	604 203	2 055 814
Office Machines	39 478	-	-	-	39 478	39 478	-	-	39 478	-
Radio Equipment	11 889	-	-	-	11 889	11 889	-	-	11 889	-
Tables / Desks	15 878	-	-	-	15 878	12 766	758	-	13 525	2 353
Telecommunication	60 086	-	-	-	60 086	60 086	-	-	60 086	-
Tip Sites	288 342	-	-	-	288 342	96 193	9 611	-	105 804	182 538
Tipplers	19 000	-	-	-	19 000	12 677	1 267	-	13 944	5 056
Town Planning	251 563	-	-	-	251 563	167 939	83 625	-	251 563	-
Tractors	310 085	-	-	-	310 085	310 085	-	-	310 085	-
Transport Facilities	791 797	317 418	-	-	1 109 215	38 678	26 422	-	65 100	1 044 115
Trucks / Bakkies	629 217	239 121	-	-	868 338	629 217	131	-	629 348	238 990
Vacant Land	-	-	-	-	-	-	-	-	-	-
Workshops/ Depot	10 500	-	-	-	10 500	3 503	350	-	3 853	6 647
	-	-	-	-	-	-	-	-	-	-
	6 387 853	1 661 145	-	-	8 049 000	3 582 254	338 695	-	3 920 949	4 128 051
Total: Property, Plant and Equipment	60 260 796	5 257 045	-	-	65 517 843	27 522 964	2 665 144	-	30 188 107	35 329 736

APPENDIX B (2)**KANNALAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007****ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2007**

	Cost/Revaluation					Accumulated Depreciation and Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Total: Investment Property	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007

	Cost/Revaluation					Accumulated Amortisation and Impairment				Carrying Value
	Opening Balance	Additions	Under Development	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Website Development	-	-	-	-	-	-	-	-	-	-
Valuation Roll	-	-	-	-	-	-	-	-	-	-
Total: Intangible Assets	-	-	-	-	-	-	-	-	-	-
Grand Total	60 260 796	5 257 045	-	-	65 517 843	27 522 964	2 665 144	-	30 188 107	35 329 736

APPENDIX C**KANNALAND MUNICIPALITY****SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	215 358	-	-	-	215 358	(203 053)	(4 558)	-	(207 611)	7 747
Finance & Admin	5 658 003	-	-	-	5 658 003	(1 927 183)	(287 211)	-	(2 214 393)	3 443 610
Community & Social Services	933 425	246 931	-	-	1 180 356	(193 194)	(29 975)	-	(223 169)	957 187
Housing	4 461 963	-	8 690 730.00	-	13 152 693	(1 488 535)	(149 139)	-	(1 637 675)	11 515 018
Sport & Recreation	985 863	61 596	246 931.00	-	1 294 390	(330 278)	(49 094)	-	(379 372)	915 018
Waste Management	402 451	573 122	-	-	975 573	(208 801)	(46 653)	-	(255 454)	720 119
Waste Water Management	14 189 445	80 702	23 013 457.00	-	37 283 603	(6 160 654)	(723 122)	-	(6 883 776)	30 399 827
Road Transport	13 687 635	703 281	-	-	14 390 916	(9 662 612)	(430 086)	-	(10 092 699)	4 298 217
Water	10 240 694	161 404	-	-	10 402 097	(4 179 106)	(526 534)	-	(4 705 640)	5 696 457
Electricity	14 743 006	416 885	2 248 166.00	-	17 408 057	(5 834 691)	(764 928)	-	(6 599 618)	10 808 439
TOTAL	65 517 842	2 243 920	34 199 284	-	101 961 046	(30 188 107)	(3 011 301)	-	(33 199 407)	68 761 639

APPENDIX DKANNALAND MUNICIPALITYSEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
10 762 941	27 090 178	(16 327 237)	Executive and Council	4 123 337	6 428 276	(2 304 939)
16 259 885	14 135 233	2 124 652	Finance and Administration	16 918 973	13 909 620	3 009 353
43 742	476 864	(433 122)	Community and Social Services	61 188	344 422	(283 234)
101 035	175 688	(74 653)	Housing	100 609	738 043	(637 434)
1 062 447	1 205 242	(142 795)	Sport and Recreation	11 626	272 149	(260 523)
6 826 873	5 104 952	1 721 921	Waste Water Management	3 778 153	2 785 239	992 914
2 746 539	1 295 185	1 451 354	Waste Management	3 364 556	3 876 960	(512 404)
732 211	3 661 692	(2 929 481)	Road Transport	1 362 116	3 177 212	(1 815 095)
3 933 681	2 842 702	1 090 979	Water	5 237 499	5 073 545	163 954
11 544 139	11 750 310	(206 171)	Electricity	14 110 551	12 873 652	1 236 899
-	-	-	Other	-	-	-
54 013 493	67 738 046	(13 724 553)	Sub Total	49 068 609	49 479 118	(410 509)
-	-	-	Health	-	-	-
54 013 493	67 738 046	(13 724 553)		49 068 609	49 479 118	(410 509)
-	-	-	Less Inter- Departmental Charges	-	-	-
54 013 493	67 738 046	(13 724 553)	Total	49 068 609	49 479 118	(410 509)

APPENDIX E (1)**KANNALAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

REVENUE	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Property rates	6 542 647	7 771 030	(1 228 383)	(15.81)	
Service charges	23 324 107	23 883 440	(559 333)	(2.34)	
Rental of facilities and equipment	191 994	186 000	5 994	3.22	Higher income
Interest earned - external investments	1 434 906	600 000	834 906	139.15	Budget incorrect
Interest earned - outstanding debtors	744 281	550 100	194 181	35.30	Outstanding Debtors are Increasing at bigger rate as anticipated
Dividends received	224	-	224	-	Dividends Ou Mutual not Budgeted
Fines	641 424	425 000	216 424	50.92	
Licences and permits	80 593	4 200	76 393	1 818.88	
Income for agency services	290 304	129 000	161 304	125.04	Budget calculate on 2006 / 2007 income
Government grants and subsidies	16 142 001	18 652 300	(2 510 299)	(13.46)	
Other income	1 502 463	402 230	1 100 233	273.53	VAT income recover from grants
Public contributions, donated and contributed property, plant and equipment	-	-	-	-	
Gains on disposal of property, plant and equipment	-	5 900	(5 900)	(100.00)	
Total Revenue	50 894 943	52 609 200	(1 714 256)	(3.26)	
EXPENDITURE					
Employee related costs	12 989 932	13 764 070	(774 138)	(5.62)	
Remuneration of Councillors	1 855 577	1 988 800	(133 223)	(6.70)	
Bad debts	2 800 000	2 279 950	520 050	22.81	Outstanding Debtors are Increasing at bigger rate as anticipated
Collection costs	-	5 000	(5 000)	(100.00)	Cost allocated to debtors
Depreciation	3 011 301	3 452 000	(440 699)	(12.77)	Capital projects started at later date.
Repairs and maintenance	2 491 825	2 559 200	(67 375)	(2.63)	
Interest paid on external borrowings	2 489 795	1 059 100	1 430 695	135.09	Interest paid on external loans not redeemed on time
Bulk purchases	9 966 781	9 170 000	796 781	8.69	Increase demand
Contracted services	366 670	200 000	166 670	83.34	See also higher income
Grants and subsidies paid	8 464 318	10 244 000	(1 779 682)	(17.37)	
General expenses- other	5 637 253	8 211 580	(2 574 327)	(31.35)	
Povision Landfill sites	1 232 000	-	1 232 000	(100.00)	Additional provision needed
Loss on disposal of property, plant and equipment	-	-	-	-	
Total Expenditure	51 305 453	52 933 700	(1 628 248)	(3.08)	
Surplus/(Deficit) for the year from discontinued operations					
NET SURPLUS/(DEFICIT) FOR THE YEAR	(410 510)	(324 500)	(86 008)	26.50	

APPENDIX E (2)**KANNALAND MUNICIPALITY****ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5 % versus Budget
Cemeteries	-	-	-	-	-	-	[only where variance exceeds 5%]
Corporate Services	-	-	-	-	-	-	
Electricity	416 885	2 248 166	2 665 051	500 000	2 165 051	433.01	Spending on electrical for housing not included in budgeted amount
Housing	-	8 690 730	8 690 730	1 554 000	7 136 730	100.00	Spending on housing not included in budgeted amount
Libraries	-	246 931	246 931	-	246 931	100.00	
Refuse Removal	573 122	-	573 122	-	573 122	100.00	
Roads and Stormwater	703 281	-	703 281	600 000	103 281	17.21	
Sewerage	80 702	23 013 457	23 094 159	12 862 000	10 232 159	79.55	Additional money received from MIG for buckets eradication
Sportsgrounds / Swimming Pools	308 526	-	308 526	-	308 526	100.00	
Water	161 404	-	161 404	5 000 000	(4 838 596)	(96.77)	
	2 243 920	34 199 284	36 443 204	20 516 000	15 927 204	77.63	

APPENDIX F

KANNALAND MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Opening Balance 01-07-2007	Quarterly Receipts				Quarterly Expenditure				Closing Balance 30-06-2008	Reason for withholding	Did your comply with the conditions in grant	Reason for non-compliance
			Sept	Dec	Mar	June	Sept	Dec	Mar	June			Yes / No	
Municipal Infrastrurure Grant	National Department of Provincial and Local Government	770 733	2200000	13061550	2647321	6844258	(891 567)	(9 871 742)	(6 326 189)	(5 973 959)	2 460 405	None	Yes	
Equitable Share	National Department of Provincial and Local Government	-	2572622	1929466	3215777	-				(7 717 865)	-	None	Yes	
Drought Relief	National Department of Provincial and Local Government	201 982									201 982	None	Yes	
Local Government Financial Management Grant	National Treasury	392 309	500000				(13 719)	(41 842)	(8 564)	(207 681)	620 503	None	Yes	
Recoveryplan DBSA	Development Bank of South Africa	-918 059			1261659	1781644	(119 930)	(519 904)	(845 366)	(92 974)	547 070	None	Yes	
Recoveryplan MSP	Nasional Department of Housing	132 329	750000	750000		500000	(30 985)	(206 812)	(237 725)	(411 743)	1 245 064	None	Yes	
Recoveryplan DPLG	National Department of Provincial and Local Government	1 607 245		2884000			(106 955)	(499 080)	(2 148 192)	(1 372 571)	364 447	None	Yes	
Electricity/Water project	National Department of Provincial and Local Government	371 669										None	Yes	
Calitzdorp Housing	National Department of Provincial and Local Government	61 033									61 033	None	Yes	
Dried Fruit Project Van Wyksdorp		134 908					(1 111)	(25 289)	(22 429)	(10 297)	75 782	None	Yes	
Zoar Taxi Rank		620 871						(104 464)	(103 676)		412 731	None	Yes	
Greening : Ladismith		47 102								(46 473)	629	None	Yes	

APPENDIX F

KANNALAND MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Greening : Zoar		72 293								72 293	None	Yes	
General Valuation		1 631 674						(164 103)	(41 533)	1 426 038	None	Yes	
Watermeters : Zoar		480 228							(11 297)	468 931	None	Yes	
Substation 132 kva		2 497 414								2 497 414	None	Yes	
Ladismith Housing		194 815		5110567	3346659	104800		(5 110 567)	(3 475 361)	(104 800)	66 113	None	Yes
Flood Damage		800 000					(19 779)	(226 664)	(141 361)	(308 736)	103 460	None	Yes
Waterinvestigation													
Van Wyksdorp		31 466									31 466	None	Yes
Electrification Houses													
Ladismith		-			3000000			(164 859)	(954 248)	(1 129 059)	751 834	None	Yes
Nissenviile Roads	National Department of Provincial and Local Government	-				300000				(40 842)	259 158	None	Yes
Education : Housing	George Minicipality				17426						17 426	None	Yes
Umsobomwu		90 281			550			(57 950)	(28 898)		3 983	None	Yes
											-		
		9 220 293	6 022 622	23 735 583	13 489 392	9 530 702	(1 184 046)	(16 771 223)	(14 485 164)	(17 498 728)	12 059 431		

Note : A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share

APPENDIX G**KANNALAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases</p> <p>GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p>	Y	<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</p> <p>GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>
		Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

APPENDIX G**KANNALAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p>	No adjustments to the AFS are required.
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	Y	<p>Currently the municipality does not reflect land and buildings that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> 1) Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 4) for the section on Investment Property as set out below. 2) Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the next twelve months are removed from the FAR and are reclassified as inventories. 3) Ensure that these inventories are measured at the lower of cost price and NRV. 4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met. 	<p>The following adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:</p> <ol style="list-style-type: none"> 1) The land and buildings will not be reflected as part of PPE (Non Current assets) on the Statement of Financial Position, but will be reflected as a current asset: inventories. 2) If inventory of land and buildings, which is currently reflected as part of PPE is currently sold a gain or loss on disposal of PPE is reflected in the Statement of Financial Performance. When these items are reclassified as inventories and sold the Statement of Financial Performance will reflect the sales proceeds as well as the cost of inventories land and buildings disposed of as separate line items. 3) The buildings which are currently shown as PPE, and which are depreciated will not be depreciated if they form part of inventories 4) The classes of inventories as recorded in the notes to the AFS will be expanded with another class, namely: inventories: land and buildings. 5) The accounting policy note will have to be amended to set out how inventories: land and buildings are accounted for.

APPENDIX G**KANNALAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	Y	<p>1) Ensure that systems are in place to determine what percentage of water on hand at year end has been purchased and what percentage has been produced (purified).</p> <p>2) Determine what valuation methodology will best serve to value water on hand at year end i.e. FIFO or weighted average.</p> <p>3) Value the purchased water at year end by utilising the FIFO methodology and multiplying purchased water on hand at year end with the latest purchase price.</p> <p>4) Value purified water on hand at year end by determining a production cost per unit of water purified and then applying this to the volume of purified water on hand at year end. The production cost per unit must be based on:</p> <ul style="list-style-type: none"> Costs directly related to the units of production such as direct materials and direct labour. This could include expense items such as wage costs of plant workers and chemicals used in the production process. A systematic allocation of fixed production overheads, which are indirect costs of production that remain relatively constant, regardless of the level of production, such as depreciation of manufacturing equipment and the production facility (water purification plant). A systematic allocation of variable production overheads, which are indirect costs of production that vary in accordance with variances in the volume of production. Examples are indirect labour such as the salary of a factory foreman, and also indirect materials. 	<p>The following adjustments will need to be made to the AFS to comply with accounting for purified water in terms of GAMAP 12:</p> <p>1) The value of inventories on the Statement of Financial Position will include purchased as well as purified water.</p> <p>2) The accounting policy should reflect the valuation methodology for purified and purchased water.</p>
GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	<p>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic.</p> <p>2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</p> <p>3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</p>	<p>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</p> <p>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</p> <p>2) A note on the change in estimate will be disclosed if the change in estimate is material.</p>

APPENDIX G**KANNALAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	<p>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic.</p> <p>2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset.</p> <p>3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</p> <p>4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</p>	<p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <p>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</p> <p>2) A note on the change in estimate will be disclosed if the change in estimate is material.</p>
		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p> <p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p> <p>Ø Show that they are not performing according to their specifications or according to industry accepted norms.</p> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IPSAS 21.</p>

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		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p> <p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p> <p>Ø Show that they are not performing according to their specifications or according to industry accepted norms.</p> <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IAS 36.</p>
IAS 11 AC 109	Construction contracts	Entire standard	Y	<p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p>	<p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p>

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IAS 14 AC 115	Segment reporting	Entire standard	Y	<p>1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14.</p> <p>2) Determine the business and geographical segments of the municipality.</p> <p>3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.</p> <p>4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.</p>	<p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <p>1) Segment revenue for every reportable segment.</p> <p>2) Segment results for every reportable segment.</p> <p>3) Segment assets for every reportable segment.</p> <p>4) The total cost incurred during the period to acquire reportable segment long term assets.</p> <p>5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements.</p> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>

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IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	<p>1) The municipality must obtain copies of all existing current lease agreements.</p> <p>2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease.</p> <p>3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired.</p> <p>4) A complete Lease Contract Register must be kept to ensure the completeness of lease transactions.</p> <p>5) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).</p>	<p>The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows:</p> <p>1) Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done the amount recognised in the Statement of Financial Performance will be the average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS. If the actual instalments in a year are less than the average instalment the difference will be shown either as an accrual (creditor) in the AFS.</p>
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.

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IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	<p>1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation</p> <p>2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).</p> <p>3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account.</p> <p>4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.</p>	<p>1) Unbundle the balance on the GGR and transfer it to a deferred income account.</p> <p>2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income.</p> <p>3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.</p>

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IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p> <p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p> <p>Ø Show that they are not performing according to their specifications or according to industry accepted norms.</p> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IAS 36.</p>
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	<p>1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file.</p> <p>2) Ensure that all intangible assets identified are measured initially at their cost price. Examples of items which may meet the definition of an intangible asset in the municipal environment are</p> <ul style="list-style-type: none"> · The cost of the General Valuation Roll · A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. 	<p>The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:</p> <p>1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in a reduction in the carrying amount of PPE and an increase in a new asset called intangible assets.</p>

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				3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.	<p>2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year.</p> <p>3) If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</p> <p>4) An accounting policy note related to the accounting treatment of Intangible assets will need to be developed and disclosed.</p> <p>5) The municipality shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <p>(a) The useful lives or the amortisation rates used;</p> <p>(b) The amortisation methods used for intangible assets with finite useful lives;</p> <p>(c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;</p> <p>(d) The line item(s) of the Statement of Financial Performance in which any amortisation of intangible assets is included;</p>

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					<p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) Additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;</p> <p>(ii) Any amortisation recognised during the period;</p> <p>6) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.</p> <p>7) The municipality shall give a description of any fully amortised intangible asset that is still in use.</p> <p>8) The municipality shall also disclose the following:</p> <ul style="list-style-type: none"> · A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. · For intangible assets acquired by way of a government grant and initially recognised at fair value: <ul style="list-style-type: none"> (i) The fair value initially recognised for these assets; (ii) Their carrying amount; and (iii) Whether they are measured after recognition under the cost model or the revaluation model. · The amount of contractual commitments for the acquisition of intangible assets.

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IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39.
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Y	<p>1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past.</p> <p>2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality.</p> <p>3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality.</p> <p>4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown.</p> <p>5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40.</p> <p>6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value.</p> <p>7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.</p>	<p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.</p> <ul style="list-style-type: none"> · The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations; · The methods and significant assumptions applied in determining the fair value of investment property. · The extent to which the fair value of investment property is based on a valuation by an independent valuer. · The amounts included in the statement of financial performance for: <ul style="list-style-type: none"> (a) Rental revenue from investment property; (b) Direct operating expenses arising from investment property that generated rental revenue during the period; and (c) Direct operating expenses arising from investment property that did not generate rental revenue during the period; (d) Fair value increases in IP · The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; · Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements;

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					<p>· A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following</p> <p>(a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</p> <p>(b) Additions resulting from acquisitions through municipality combinations;</p> <p>(c) Disposals;</p> <p>(d) Net gains or losses from fair value adjustments;</p> <p>(e) Transfers to and from inventories and owner-occupied property; and</p> <p>(f) Other movements.</p> <p>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation.</p> <p>If the municipality elects to reflect all of its investment properties at cost less accumulated depreciation, ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above :</p> <p>· The depreciation methods used;</p> <p>· The useful lives or the depreciation rates used;</p> <p>· The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;</p>

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					<ul style="list-style-type: none"> · A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): <ul style="list-style-type: none"> (i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (ii) Additions resulting from acquisitions through municipality combinations; (iii) Disposals; (iv) Depreciation; (v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period; (vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality; (vii) Transfers to and from inventories and owner – occupied property; and (viii) Other movements; and · The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: <ul style="list-style-type: none"> (i) A description of the investment property; (ii) An explanation of why fair value cannot be determined reliably; and (iii) If possible, the range of estimates within which fair value is highly likely to lie.

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		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	N	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	Y	1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11. 2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 3) CFO must ensure that every department returned the departmental FAR and ensure that it has been signed-off as proof that it has been reviewed. 4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.	1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation. 2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell. 3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7.